



## Market and Trade Data

### Chengdu: An Up-and-Coming Market in China's Heartland

By Bryan Stewart and Ralph Bean

#### Gateway to West China

Located deep in China's interior, Chengdu is the capital of Sichuan province and one of the most affluent cities in Western China. It has been known as the City of Hibiscus for 1,000 years, ever since its tenth-century ruler, Chang Meng, ordered hibiscus planted on the city walls. The city is an urban island of 10.5 million residents in a largely agricultural province.

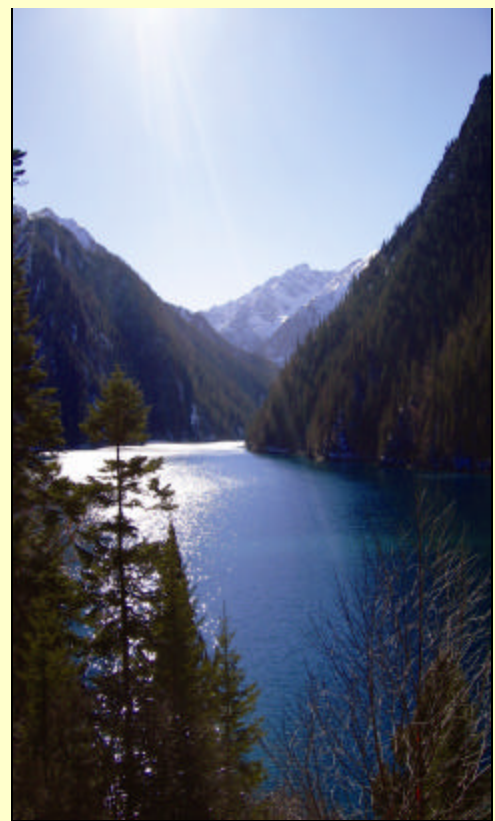
Sichuan province lies astride the Yangtze River, forming a giant bowl valley in the center of China, with the Himalayas to the west and the Three Gorges to the east. Sichuan is an important producer of rice and rapeseed, but is known primarily as China's largest pork producer. It is also a major tourist destination, with many of China's most famous natural parks, including the world-renowned Wolong Panda Preserve and Jiuzhaigou Natural Park. In recent years, Chengdu has become a major rail hub for West and Southwest China. New highways and an expanded airport have further reinforced the city's position as the primary transportation hub for the region.

#### A Booming Retail Market

Chengdu's retail food sector has grown quickly, and is now home to multiple international retailers, including Carrefour, Ito Yokado and Metro. Store managers report heavy foot traffic in their stores, and ATO Shanghai collaborations with both Ito Yokado and Chengdu have



**Chengdu is the center of the region known for China's famous spicy Sichuan cuisine.**



**Chengdu is the jumping off point for Sichuan's many scenic parks. Pictured here is Jiuzhaigou.**

*Photos and map courtesy of USDA/FAS Agricultural Trade Office, Shanghai, China*

proven very successful. Chengdu also hosts China's largest domestic food show, Tangjiuhui (the Spirits and Candy Festival), every spring. Tangjiuhui is a gargantuan affair that draws food manufacturers from every corner of China, and attracts up to 300,000 visitors.



### Sichuan Cuisine

Chengdu is the center of the region known for China's famous spicy Sichuan cuisine, recognized worldwide as one of the four major styles of Chinese cooking (the others being Hunan, Cantonese, and Yangzhou). Reflecting both local residents' obsession with food and Chengdu's role as a major tourism center, the restaurant industry is well developed, but lacks knowledge about imported products and cooking methods.

ATO Shanghai has worked with the Chengdu Cuisine Association, which hopes to popularize Sichuan-style food across the world, and sees the incorporation of imported ingredients into Sichuan cuisine as an effective way to improve quality and standardize the preparation of Sichuan food. Chengdu is in the process of setting up a food ingredient development zone for food processing firms, many of which are owned by national hotels and restaurants.

### Market Prospects

As a market for imported products, Chengdu is small relative to its population, and incomes are low relative to coastal cities. Propensity to spend, however, is quite high, and Chengdu punches well above its weight as a consumer center. Imported foods are still relatively rare, so early arrivals in this market are likely to have a disproportionate impact on local residents' ideas about foreign foods. In short, now is an excellent time to make an entry into this large, undeveloped market. Sichuanese are happy to adapt and incorporate new products into their own cuisine.

The primary obstacle to food imports in Chengdu, and most other interior markets, is distribution. During a recent activity, ATO Shanghai discovered that imported meat and seafood in Chengdu was typically imported into Shanghai or Guangzhou, then resold into neighboring markets, changing ownership as many as four or five times before reaching Chengdu. As a result, prices are higher, quality is lower and shelf-life is shorter by the time products reach consumers. Only the largest chain restaurants buy directly from Shanghai or Guangzhou. Although roads and rail within Sichuan are excellent, connections to coastal provinces face a bottleneck. The government has invested heavily to expand the airport, which is increasing the number of daily flights, including cargo, throughout China. Transportation issues, however, are less of an issue than

### Best Product Prospects

U.S. food products with the best market potential in Chengdu include the following:

**Dried fruits and nuts:** Already present in the market, nuts sell best in-shell. Retail sales are particularly strong. The main competition appears to be Iranian pistachios and Xingjiang (West China) sweet almonds and raisins.

Hawaiian macadamias are present, albeit on an irregular basis. Boneless pork butt: U.S. boneless pork butt is proving quite popular among restaurants and their customers, even in China's pork production heartland. As with all time and temperature sensitive products, however, distribution is a major obstacle.

**Table grapes:** Both U.S. red and black table grapes are popular in Chengdu. Distribution and logistics, however, both pose challenges.

**Shellfish:** Scallops and other shellfish are popular in this seafood-starved inland province. Here too, distribution is an obstacle, but equally important with these unfamiliar products is the need to provide education in proper cooking methods.

**Poultry:** The most popular items are wingtips and feet. U.S. frozen chicken wings sometimes appear on retail shelves.

**Potato products:** Widely used in China's U.S.-style fast-food restaurants and hotels, there is still room for market expansion. As with other items, distribution is the primary impediment.

**Salmon:** Still a relatively new product in this market, salmon is present on a seasonal basis, although most is imported from Norway at present. Consumer education is needed, and salmon faces the same distribution problems as other seafood.

**Condiments:** Heinz products are already present in the market, mostly supplied to hotel restaurants.

**Fresh vegetables:** At least one distributor is supplying imported fresh vegetables, albeit on an infrequent basis. Logistics is a major obstacle, and loss due to spoilage is extremely high.

**Frozen vegetables:** Frozen U.S. sweet corn and frozen mixed vegetables are very popular and widely available here as they are elsewhere in China.

**Dairy products:** Local retailers believe there is substantial demand for cheeses and butter, but competition from Australia is strong.

**Wines:** Retailers indicate strong potential, but note that wines over \$12 per bottle can sell only at high-end gift shops.

**Popcorn:** This snack food is doing well in hypermarkets.

**Breakfast cereals:** U.S.-style cold cereals are gaining popularity with Chinese consumers, who often eat them as snacks.



**Massive crowds bear witness to the size and popularity of the Tangjiuhui food trade show, hosted every spring in Chengdu.**

China's general lack of nationwide distribution systems.

U.S. food products are gradually being introduced to consumers in the region. ATO has conducted a number of events in Chengdu, as well as in neighboring Chongqing (an important stepping stone on the way to Chengdu). These include a chef seminar series, paired with a retail distribution activity at Ito Yokado, the Summer Fruit Festival at Carrefour in July, and the U.S. Food Festival at Carrefour in September, as well as recruiting teams of U.S. companies to participate in the Tangjiuhui. ■

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